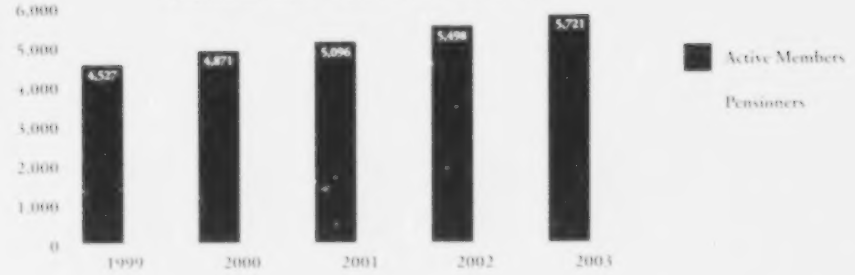
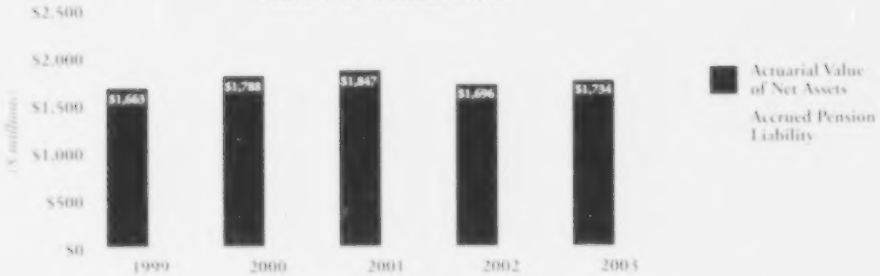
Universities Academic Pension Plan
Annual Report 2003

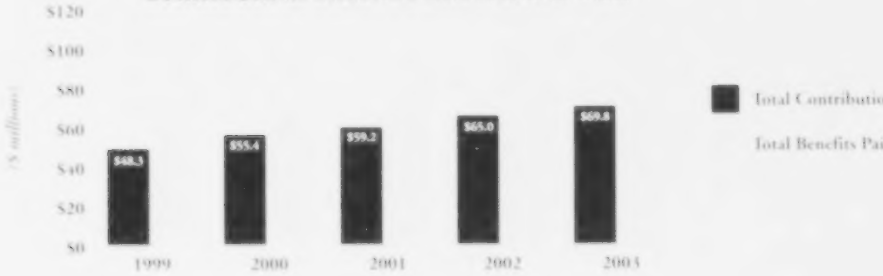
Member and Pensioner Statistics



Assets and Liabilities



Contributions Received and Benefits Paid



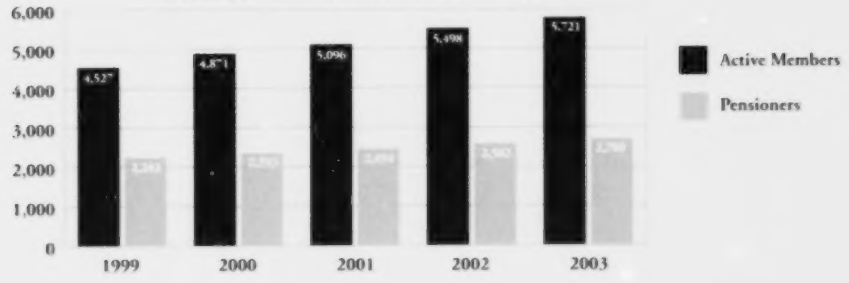
Assets & Liabilities Summary as at December 31

($ millions)

	2003	2002
Net Investments	$ 1,725	$ 1,536
Net Receivable	6	6
Net Assets	1,731	1,542
Actuarial adjustment for fluctuation in fair value of net assets	3	154
Actuarial Value of net assets	1,734	1,696
Actuarial Deficiency	538	409
Accrued pension liability	$ 2,272	$ 2,105

Plan Highlights

Member and Pensioner Statistics



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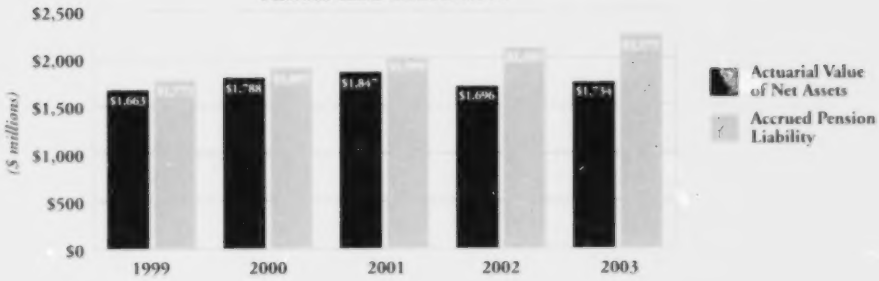

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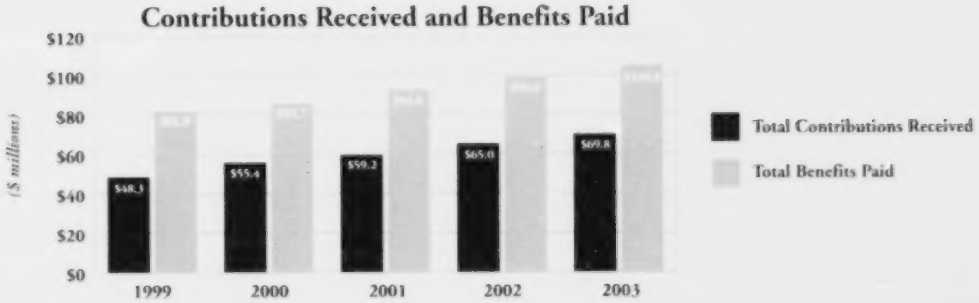

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Profile

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The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the *Employment Pension Plans Act and Regulations* (Alberta) and the *Income Tax Act* (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees (Board), as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 5,700 active members, 800 deferred members and 2,700 pensioners.
- The UAPP Fund's market value at the end of 2003 was $1.73 billion.

Governance of the Plan

Board Composition

The Board of Trustees of the Universities Academic Pension Plan oversees the Plan. The Board is composed of four employer trustees, four employee trustees and one employer representative. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

Board Mandate

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

Mission

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- stable contribution rates,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

Values

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to do UAPP business better.

Contact the Board of Trustees at:

Universities Academic Pension Plan
#504, Park Plaza 10611 – 98 Avenue
Edmonton, AB T5K 2P7
Fax: (780) 415-8871
Website: www.uapp.ca

Board of Trustees 2005

Employer Appointees
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Athabasca University

Lloyd Malin, QC/ Bill Grace, FCA
University of Alberta

Nancy Walker, CA
University of Lethbridge

Keith Winter, PhD (Chair)
University of Calgary

Employee Appointees
Ron Bercov, PhD
University of Alberta

Daniel Furgason, BSc
University of Lethbridge

Mary Hamilton, PhD
Athabasca University

Ted Horbulyk, PhD (Vice-Chair)
University of Calgary

Representative
Art Nutt, CGA
The Banff Centre for Continuing Education

Management Team

Virendra Gupta, MASc, CFA
Executive Director
Phone: (780) 415-8869

David Taylor, CA
Director, Finance & Administration
Phone: (780) 415-8870

Grace Li, ASA
Pension Officer
Phone: (780) 415-8868

Patricia Verhagen, BA
Administrative Officer
Phone: (780) 415-8866

Back Row (left to right):

Virendra Gupta
David Burnett
Dan Furgason
Bill Grace
Art Nutt
Ron Bercov

Front Row (left to right):
Nancy Walker
Ted Horbulyk
Keith Winter
Mary Hamilton

Board of Trustees 2004

Employer Appointees
David Burnett
Bill Grace
Nancy Walker (Vice-Chair)
Keith Winter

Employee Appointees
Daniel Furgason
Mary Hamilton
Ted Horbulyk (Chair)
Mazi Shirvani, PhD

Representative
Art Nutt

Committees of the Board 2004

Audit Committee
David Burnett
Auke Elzinga, FCA
Bill Halford, FCA
Mary Hamilton
Nancy Walker, Chair

Investment Committee
Ron Bercov
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Bob Normand, President & CEO of ATB Financial, Edmonton
Keith Winter

Administration Services Provider

Mellon Human Resources & Investor Solutions
Member Pension Inquiries
1-866-709-2092

Pensioner Payroll

CIBC Mellon Global Securities Services Company
Pensioner Payroll Inquiries
CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
1-800-565-0479
www.CIBCMellon.com

Investment Management

Alberta Investment Management, the investment operations group of Alberta Revenue

Actuary

Mercer Human Resource Consulting

Auditor

KPMG LLP

Asset Consultants

Aon Consulting Inc.

A Message from the Chair

G. Keith Winter

The Board's key goal is to deliver on its mandate as outlined in the Sponsorship and Trust Agreement, the UAPP's new founding document. Accordingly, the Board's strategic initiatives are designed to:

- provide quality pension administration services,
- maximize long-term investment returns within prudent risk levels,
- ensure that the Plan is properly funded in accordance with the requirements of the *Employment Pension Plans Act and Regulations* (EPPA),
- collaborate and actively work with Plan Sponsors to address the needs of the UAPP, and
- maintain effective governance of the Plan.

I am pleased to report that 2003 was a productive year for the UAPP. We made great strides on many fronts in putting the independent UAPP on a solid footing.

Plan Administration

January 1, 2003 marked the inauguration of pension administration services by Mellon Human Resources and Investor Solutions (Mellon) (previously known as Buck Consultants Ltd.) and pension payroll services by CIBC Mellon. I am pleased to report that, even with the challenges experienced with the development of the new administration system, much of the new system is now in place. Employers, for the first time in the life of the Plan, now have access to a system that allows them to view, correct and submit data and do pension estimates and other calculations for their employees online. Pension staff have commented that the new system is very powerful and slick. The new system has already proved its worth in terms of the processing of year-end data, preparation of annual member statements, and the calculation of pensions and other benefits.

We expect Mellon to build and complete the remaining components of the new system by the middle of 2004. When that is done, the UAPP will be one of the few pension plans to have a modern, web-based, cost-effective pension administration system. Projects of this scope and complexity cannot succeed without the hard work, cooperation and dedication of all the parties. I want particularly to note the cooperation and understanding of the pension administration staff at our institutions during the time that the various pieces of the new system were being built and implemented last year. They are vital partners in providing quality services to Plan members.

Plan Investments

After being down three years in a row, the markets started 2003 on a weak note with concerns about the strength of economic recovery, talk of deflation and an unsettled geopolitical situation. However, as the year progressed, the markets made a big recovery, posting substantial gains. The UAPP's investment policy which allocates 65.0% of the assets to equity markets across the globe and 35.0% to a combination of short-term, long-term and real return bonds showed its best results to date. The UAPP Fund investments gained 15% overall in 2003. These results show the importance of maintaining a steady course through a difficult period.

Though 2003 performance data for many pension plans is not yet publicly available, early numbers indicate that the net return of 15% would put the UAPP's performance in the first quartile. Given the debate about equity risk premium and the growing consensus in early 2003 that the markets were unlikely to produce anything more than a single digit return, the 15% gain is a pleasant reminder that the markets can surprise us all. That is why a well-diversified portfolio is so important to the long-term performance of a pension plan.

In view of the funding needs of the UAPP, the Fund's current asset mix is designed to capture the historically higher rates of return from equities. However, this means that the Fund's performance is significantly influenced by movements in the capital markets. In order to assess the return risk profile of the current and other potential asset mixes, the Board is conducting an asset/liability study. The Board may adjust its asset mix after carefully considering the results of the study. The challenge is to have an asset mix that performs well in good markets but can help protect against the downside in bad markets.

Plan Funding and Contributions

Keeping the UAPP on a funded track in line with the requirements of the EPPA is a critical responsibility. In view of the negative returns of 2001 and 2002, and growing concerns about the future direction of the capital markets, the Board authorized in early 2003 an actuarial valuation to assess the financial position of the Plan as of December 31, 2002. The actuarial valuation, not surprisingly, showed that the funded status of the Plan had deteriorated and that the Board needed to take decisive action and increase contribution rates to keep the Plan on a sound funding track. The Board, after careful consideration of the factors involved, decided to increase contribution rates by a total of 3.28% of salary effective January 1, 2004. The increase is shared equally between employers and employees. The UAPP is not alone in increasing contribution rates. Newspapers have been full of stories on how the poor markets of the last 3 years have damaged the balance sheets of pension plans.

In terms of future contribution rates, it is too early to say much. We are pleased with the 15% return experienced in 2003. However, we also know that asset returns can vary substantially from year to year while the increase in liabilities is influenced by many factors, including the discount rate, salary increases and average retirement age. Therefore, we intend to keep a close eye on the funded status of the Plan and will keep Plan Sponsors and members informed on this important issue.

Working in Partnership with Plan Sponsors

The Board continues to work closely with Plan Sponsors and the Sponsors' Working Group (SWG) to further the interests of the UAPP. In 2003, this partnership allowed the Plan to obtain a long-sought after exemption from the application of the solvency funding requirements of the EPPA. This critical achievement means that the Plan's contributions and investments can be geared more to long-term results based on "ongoing business" considerations.

We were also able to deal successfully with the issue of Combined Pensionable Service that had been raised by the Public Service Pension Board. As a result, the employees of our member institutions who move between the two plans because of promotion will continue to benefit, as before, from this special arrangement to combine service between our two plans.

The Board of Trustees recommended to Plan Sponsors several changes in order to simplify plan administration and communications. The Board also made a minor change in the definition of "spouse" in order to comply with the EPPA's requirements.

Our Executive Director, Virendra Gupta, has been assisting the SWG in their deliberations on plan design changes. It appears that the SWG is making progress in its thinking about these changes. The Board will continue to work with the Sponsors to make the UAPP a well-considered plan.

Continued on next page...

Effective Governance

Since the Enron scandal broke out in 2001, the subject of corporate governance has been in the news almost daily. In this context, it is reassuring to note that though the UAPP is a small plan in the context of large public sector plans, the Board is as mindful of the importance of good governance to sound pension planning as any plan. In recognition of good governance practices, the Board is separate from the Plan Sponsors. It is entirely composed of Trustees who are appointed by Plan Sponsors and are independent of management. The positions of Chair and Vice-Chair are rotated every two years between employer and employee appointees. Even further, the Trustees' compensation is determined by Plan Sponsors.

We are very fortunate to have a highly qualified group of professionals with diverse skills on the Board. The Trustees' skills are further supplemented by the hiring of professional advisors when required, and appointing external members with specialized skills on committees of the Board. An Education Policy has been established to encourage Trustees to enhance their knowledge and skills as necessary. The Board has been able to renew its membership while maintaining continuity. Since the new Board was established in 2001, three new members have been appointed to replace retiring members.

To protect and further the interests of the UAPP, the Board has adopted a comprehensive Conflict of Interest Policy. The Board prepares a three-year Business Plan that is updated every year. The Board's Audit Committee has two external members and the Plan's annual financial statements are audited by an independent firm, KPMG LLP. Since the Board wanted to deal directly on such matters as the three-year business plans, annual budgets and plan administration issues, the Board decided to discontinue the Administration Committee as of January 2004.

To help improve corporate governance among the companies in which the UAPP funds are invested, the Board, through arrangements with its Investment Manager, exercises its proxies in a manner that enhances shareholder value.

To promote knowledge about the Plan among stakeholders, the Sponsorship and Trust Agreement, the Statement of Investment Policies and Goals, the actuarial valuation, quarterly investment performance, proxy voting policies, the Business Plan, Annual Reports and audited financial statements and many other plan-related documents are made available on our website at www.uapp.ca.

Acknowledgements

Early in 2003, Lloyd Malin resigned from the Board and Bill Grace was appointed to replace him. We are pleased to have Bill join our team. Special thanks are due to Lloyd for his generous contribution to the work of the Trustees.

On behalf of the UAPP, I would like to thank Ron Bercov for his exceptional contributions to the UAPP over a period of more than 15 years. During this period, Ron also served terms as Chair of both the statutory and the Trustee Boards. Ron's leadership and dedication were critical in making the transition from the statutory to the independent, trusteed plan. Ron has an abiding interest in the UAPP. I am pleased that he has agreed to serve as an external member on the Investment Committee.

The Board welcomes Mazi Shirvani who has been appointed to replace Ron Bercov. We look forward to working with Mazi.

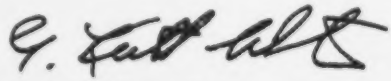
The Board appreciates the continuing contributions of Bob Hager and Bob Normand on the Investment Committee, and Bill Halford and Auke Elzinga on the Audit Committee. We are grateful to them for sharing their expertise and experience with us.

The Board values its relationship with Alberta Investment Management of Alberta Revenue, who acts as the UAPP's Investment Manager. In this regard, we would like to recognize the services provided by Laurence Waring, Doug Stratton and Kirby O'Connor during the year.

I would like to thank my colleagues on the Board for their commitment and service to the UAPP and for their support and cooperation during my tenure as Chair. I wish our new Chair, Ted Horbulyk, every success in his new position.

I want to welcome Grace Li, ASA and David Taylor, CA to the UAPP. Grace is a Pension Officer and David is our new Director, Finance & Administration, replacing Bob Langston who retired from that position at the end of 2003. Bob's dedication and unremitting energy were critical in making the transition to Mellon and CIBC Mellon successful.

Finally, it is my very pleasant task to thank Virendra Gupta and Pat Verhagen for their dedication and hard work. The UAPP is indeed fortunate to have Virendra's energetic and effective leadership at this stage of its evolution.



G. Keith Winter, Chair
Board of Trustees
Universities Academic Pension Plan

Management Discussion & Analysis

Financial Position of the Fund at December 31, 2003

In 2003, the Board commissioned an actuarial valuation of the Plan as of December 31, 2002. The valuation assumed a long-term nominal return rate of 7.0%, inflation rate of 3.0%, and an average annual increase in members' salary of 4.5%.

The actuarial valuation pegged the actuarial value of assets at $1,705 million and the Plan's liabilities at $2,151 million, resulting in an actuarial deficiency some $37 million more than the amount at December 31, 2002 as shown in the table of financial results below. The valuation also showed that the total of employer and employee contribution rates had to increase to an average of 18.33% of pensionable salary to meet the funding requirements specified under the EPPA. Accordingly, on January 1, 2004 the Board increased contribution rates under the Plan to 18.33%, which translated into the following rate increases for employees and employers:

	Rates before January 1, 2004 *(% of salary)*						**Rates as of January 1, 2004** *(% of salary)*					
Institution	**Employee**			**Employer**			**Employee**			**Employer**		
	A	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**
Alberta, Calgary & Lethbridge	6.375	8.775	0.070	6.375	8.775	0.070	8.015	10.415	0.880	8.015	10.415	0.880
Athabasca & Banff	5.875	8.275	0.070	6.875	9.275	0.070	7.515	9.915	0.880	8.515	10.915	0.880

Note:

A represents salary up to YMPE, also known as CPP earnings cap, $39,900 in 2003 and $40,500 in 2004

B represents salary above the YMPE and up to the pensionable salary cap, $98,081 in 2003 and $103,817 in 2004

C represents salary above the pensionable salary cap

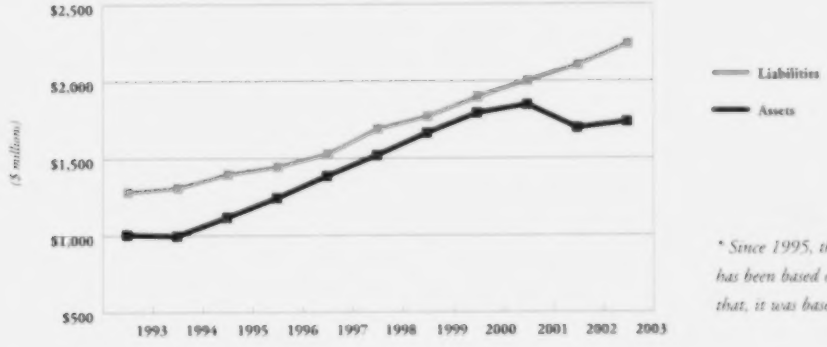
Based on the 2002 actuarial valuation, the UAPP's actuary has extrapolated the results to December 31, 2003. The table below compares the results at the end of 2003 with those available at the end of 2002 before the actuarial valuation was completed in November 2003.

	2003			**2002**
	Pre-1992	**Post-1991**	**Total**	**Total**
	($ thousands)			
Fair value of net assets	$ 1,043,800	$ 687,248	$ 1,731,048	$ 1,541,428
Actuarial adjustment for fluctuation in fair value of net assets	5,100	(2,000)	3,100	154,200
Actuarial value of net assets available for benefits	1,048,900	685,248	1,734,148	1,695,628
Accrued pension liability	1,504,321	768,179	2,272,500	2,105,300
Actuarial deficiency	**$ 455,421**	**$ 82,931**	**$ 538,352**	**$ 409,672**

The table shows that the 15% investment return of 2003 increased the fair value of net assets to $1,731 million from $1,542 million in 2002, an increase of $189 million or 12.3%. The balance of the 15% return was used to pay the excess of benefit payments and other expenditures over the contributions made to the Plan in 2003.

The actuarial value of net assets changed by only 2.3% in 2003. This reflects the fact that, at year-end 2002, the actuarial value of net assets exceeded their fair value by $154.2 million and now this difference has been reduced to only $3.1 million. At the same time, the Plan's estimated liability at the end of 2003 increased by 7.9% when compared to the extrapolation at December 2002. Consequently, on an actuarial value basis, the Plan's funded ratio declined to 76.3% at the end of 2003 from 80.5% at 2002 as shown in the table on the previous page. The graph below illustrates the progression of the estimated liabilities and the actuarial value of the Plan's assets. It should be noted that the assets do not include the Province of Alberta's share of the pre-1992 unfunded liability which is estimated by management at about $189 million, or 8.3% of the total liability at December 31, 2003.

Actuarial Assets* & Liabilities



** Since 1995, the actuarial value of assets has been based on smoothed value. Prior to that, it was based on market value of assets.*

Implications for the Future

While the excellent return of 15% in 2003 has increased the fair value of assets, it has not been sufficient to improve the Plan's funded position. Future contribution rates depend on how the Plan's funded status changes over time. Clearly, high asset returns will help reduce the need for future contribution rate increases. However, future contribution rates depend not only on future asset returns but also on how the Plan's liabilities change.

As can be seen from the above graph, the liabilities of the Plan have continued to increase steadily regardless of what happened on the asset side. The Plan's liabilities, among other factors, increase with salaries and are impacted by inflation. Further, the estimation of liabilities at a point in time is highly sensitive to the discount rate employed in an actuarial valuation. The long-term bond rates prevailing at the time of an actuarial valuation form the basic building block for constructing the discount rate to be used in a valuation. Therefore, movements in the long bond rates directly impact the estimated value of liabilities. Higher long bond rates generally imply higher discount rates and lower liabilities, and vice versa.

Sensitivity analysis shows that a 1.0% reduction in the assumed discount rate of 7.0%, while holding the key assumptions of inflation and salary rates constant, would increase the Plan's liabilities by about 13.0% and the current service costs by more than 3.0% of salary. In this regard, it may be noted that the rate on Government of Canada benchmark long-term bonds dropped to 5.20% at the end of 2003 from 5.36% at year-end 2002.

As we move forward, the Board will continue to monitor the Plan's financial position and will keep the stakeholders informed.

Investment Report

Investment Considerations and Approach

The total return achieved by the Fund directly impacts the contributions required to fund the Plan. The higher the returns, the lower the contributions required from employers and employees to pay the benefits under the Plan. That fact, combined with the long-term nature of the Plan's liabilities, would suggest that the Fund should maximize long-term returns.

However, equities, which have the greatest long-term rates of return, also experience the greatest volatility. For example, returns for Canadian equities and long bonds from 1924 to 2002 show that the annual compound return was 9.7% and 6.2% respectively but the standard deviation of annual returns for equities was 18.2% versus 8.5% for long bonds. Secondly, the UAPP is required by law to perform an actuarial valuation of the Plan at least once every three years and adjust the contributions, if necessary, to meet the specified funding standards. Therefore, short-term investment results can impact the contribution rates under the Plan. Third, among employees and employers there tends to be a general preference for stable contribution rates because stable rates not only aid financial planning and budgeting but also promote intergenerational equity among Plan members.

The above considerations require an investment approach that seeks to balance the potential for long-term gains against short-term risks. The Fund's goal is to obtain superior long-term returns historically produced by equity investments while controlling volatility of returns through diversification of investments across various asset classes and markets. The Statement of Investment Policies and Goals (SIP&G) embodies the investment beliefs of the Board and sets, among other things, asset mix policy that specifies allocations to various types of investments such as Canadian and foreign equities, and bonds.

Asset Mix Policy

The Board's asset mix policy allocates 35.0% of the total Plan investments to fixed income securities including cash, long bonds and real rate of return bonds. Canadian, US and Non-North American equities comprise 65.0% of the portfolio. This allocation to equities and bonds seeks to balance the necessity for higher returns to fund the Plan's liabilities over the long-term with the need to control risk in the shorter term.

The Board reviews the SIP&G at least once a year and makes adjustments as necessary. The Board, at the end of 2002, agreed to give discretion to the Investment Manager to allocate up to 2.0% of the market value of the Fund to "small cap" Canadian equity and up to 3.0% to US "small and mid cap" equity. The Investment Manager was also allowed to hedge on an opportunistic basis up to 25.0% of the US market exposure, subject to the approval of the Investment Committee.

During 2003, the Board initiated a comprehensive Asset/Liability study for the Plan. This is the first such study in the history of the Plan. The purpose of the study is to analyze the risk-return profile of the current asset mix and alternative asset mixes under different economic scenarios based on current risk-return expectations for various asset classes. Alternative asset classes include real estate, infrastructure, private equity and hedge funds. The Board has deferred making changes to the SIP&G pending completion of the Asset/Liability study.

However, because of a special opportunity offered that required a commitment by the 2003 year-end, the Board agreed to invest up to 2.5% of the Fund in a pool of infrastructure and other investments. This Private Income Pool (PIP) is designed to participate in opportunities that are structured to provide high current income and earn an expected rate of return of 6.0% higher than the Canada Consumer Price Index assessed over a period of 4 years or longer.

Universities Academic Pension Plan
ASSET MIX %

December 31, 2003	Policy Asset Mix		Actual	
	2003	2002	2003	2002
Fixed Income				
Cash & Short-Term	2.0%	2.0%	0.8%	0.7%
Long-Term	18.0%	18.0%	17.1%	18.1%
Real Return Bonds	15.0%	15.0%	14.7%	15.0%
Total	**35.0%**	**35.0%**	**32.6%**	**33.8%**
Public Equities				
Canadian	20.0%	20.0%	20.9%	20.1%
United States	20.0%	20.0%	19.6%	20.2%
Europe, Australasia, Far East	22.0%	22.0%	23.3%	22.3%
Emerging Markets	3.0%	3.0%	3.4%	3.4%
Private equity & income	-	-	0.2%	0.2%
Total	**65.0%**	**65.0%**	**67.4%**	**66.2%**

Investment Manager

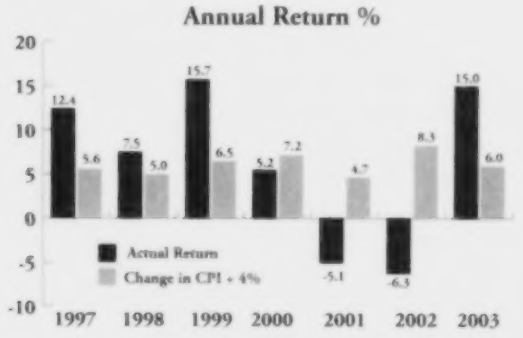
Alberta Investment Management, the investment operations group of Alberta Revenue (IMD) manages the UAPP investments within the framework set by the Board's SIP&G and handles all related day-to-day operations. IMD has the flexibility to vary allocation to an asset class within the prescribed limits in order to add value over the policy benchmark.

All fixed income investments, a portion of Canadian equity, and many index-based investments are managed in-house by IMD. In addition, external managers with specialized mandates are engaged by IMD to provide above benchmark return through active equity investments in the Canadian, US, EAFE and Emerging Markets.

Investment Targets and Performance

One of the key assumptions in calculating the Plan's liabilities is the long-term real rate of return, i.e. the inflation-adjusted return. The present value of liabilities is highly sensitive to this long-term rate. Over the last several valuations, in valuing the Plan's liabilities, the actuary has assumed a long-term real return rate of 4.0%. Therefore, this rate provides a long-term return target for investment performance.

In the short-term, performance at the total Fund level is measured against a composite benchmark that reflects the policy allocation to each asset class. The returns for each asset class are also separately measured against the appropriate benchmark for that class. Performance is measured monthly and reviewed quarterly with an emphasis on longer term results.



Total Fund Performance

2003 started on a cautious note with investors worrying about the strength of the economic recovery, particularly in the US, and the geopolitical situation. However, the global economy grew stronger as the year progressed. Low interest rates, improving corporate earnings and increasing investor confidence fuelled the recovery in the equity markets in 2003. The Canadian equity market, as measured by the S&P/TSX Composite Index, increased by 26.7%. Over the year, the US market, as measured by the S&P 500 Index, grew by 28.7% in US dollars or 5.3% when translated into Canadian dollars. The Non-North American market measured by the MSCI EAFE Index increased by 13.4%. Canadian bonds also had a positive year returning 9.1%, as measured by the ScotiaCapital Long Bond Index.

The lower returns of foreign equity markets relative to Canada were mainly due to a strong Canadian dollar in relation to the US dollar and the MSCI EAFE currency basket. At December 31, 2003, $1 US purchased $1.29 Canadian compared to $1.58 Canadian at December 31, 2002. Consequently, the appreciation in value of US equity investments was reduced when translated into Canadian dollars. To mitigate the effects of a stronger Canadian dollar against the US dollar, the Investment Manager is allowed to enter into forward foreign exchange contracts within the limits specified in the SIP&G. Over the past year, approximately 36 basis points of out-performance in the US equity portfolio was attributed to currency hedges.

Overall, the Plan's investments returned 15% in 2003. This is substantially higher than the 7.0% nominal return assumed for 2003 in the actuarial valuation. Since inflation, as measured by the change in the Consumer Price Index, was 2.0% in 2003, the net inflation adjusted return was 13.0%, which is more than three times the 4.0% long-term real return target. However, the 4-year return, due to the poor markets of recent years, is below, while the 8-year real return of 5.0% is above, the long-term real return target.

The Fund's benchmark return is based on the policy asset mix weightings set by the Board and returns of the related market benchmarks. The Investment Manager's performance is measured against the Fund's policy benchmark return to determine the impact of the Investment Manager's investment decisions. In 2003, the Plan's return of 15% exceeded the policy benchmark return of 14.0%. This out-performance can be attributed to asset allocation (e.g. Canadian equities versus Canadian fixed income) and product performance (e.g. Canadian active equity product versus S&P/TSX Composite index) and the partial hedge against the fall in the US dollar.

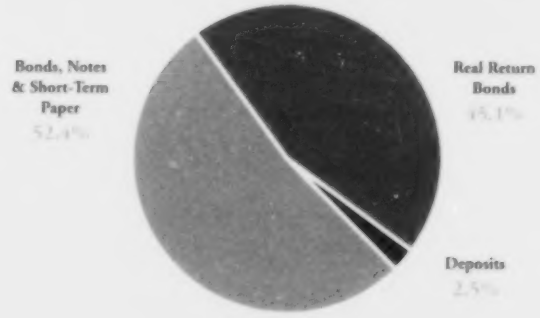
Market Value of the Fund

At the end of 2003, the market value of the Fund's investments was $1,725 million, up $189 million from $1,536 million at the end of the previous year.

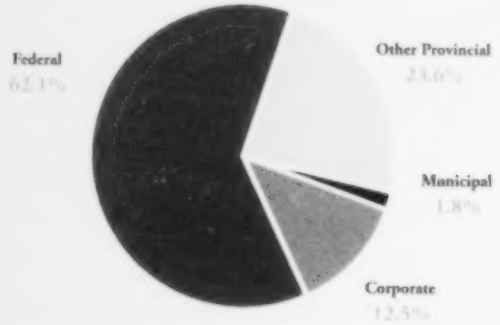
Fixed Income Investments

IMD internally manages the fixed income component totaling $561 million at December 31, 2003. Fixed income includes cash, long bonds and real return bonds.

Summary of Fixed Income Holdings (by type of security)



Summary of Fixed Income Holdings (issued & guaranteed by)



Overall, the Plan's fixed income investments out-performed their respective benchmarks. Long bonds returned 9.4% versus the ScotiaCapital Long Bond Index return of 9.1%, and the real return bonds returned 13.5% out-performing the ScotialCapital Real Return Bond Index return of 13.3%. The cash and short-term component had a return of 3.0%, exceeding the 2.9% return of the Scotia Capital 91-Day T-bill Index.

Short-Term Fixed Income	Actual Return	Benchmark Index (ScotiaCapital 91-Day T-bill Index)	Net Value Added
One year	3.0%	2.9%	10 basis points
Four year	4.1%	3.9%	20 basis points

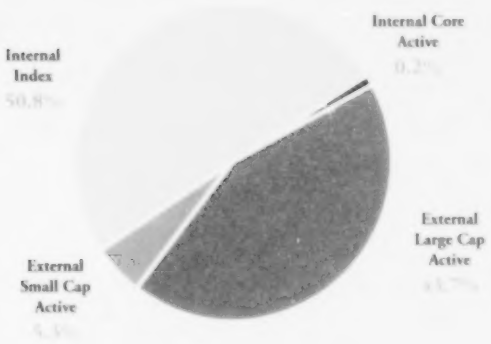
Long-Term Fixed Income	Actual Return	Benchmark Index (ScotiaCapital Long Bond and Real Return Indices)*	Net Value Added
One year	11.4%	11.0%	40 basis points
Four year	10.3%	10.3%	0 basis points

* The benchmark index is a composite of the ScotiaCapital Long Bond and Real Return Indices.

Canadian Public Equity Investments

The Plan's investment in Canadian public equities totaling $361 million at December 31, 2003 is managed through indexed (50.8%) and active (49.2%) mandate strategies. IMD manages the enhanced index and core active management strategies internally. External investment firms manage the large cap and small cap active strategy allocations.

Summary of Canadian Equity Holdings



Top 10 Canadian Equity Holdings
December 31, 2003

Company	%
Royal Bank of Canada	4.9%
Bank of Nova Scotia	4.6%
Toronto Dominion Bank	3.8%
Encana	3.2%
Bank of Montreal	3.1%
Petro Canada	3.1%
Alcan Inc.	3.1%
BCE Inc	3.0%
Sun Life Financial Services	2.7%
Nortel Networks	2.6%

The total Canadian equity return was 26.4% compared to 26.7% for the S&P/TSX Composite Index. The Canadian large cap product under-performed primarily as a result of an underweight position in information technology and an overweight position in healthcare. However, the Canadian small cap product performed very well against the large cap segment (S&P/TSX Composite Index) of the market but under-performed the Nesbitt Burns Small Cap Index (NBSCI).

Canadian Equities	Actual Return	Benchmark Index (S&P/TSX Composite Index)	Net Value Added
One year	26.4%	26.7%	-30 basis points
Four year*	2.6%	1.0%	160 basis points

* Prior to February 2001, the benchmark index was a composite of S&P/TSX Composite Index and Nesbitt Burns Small Cap Index (NBSCI).

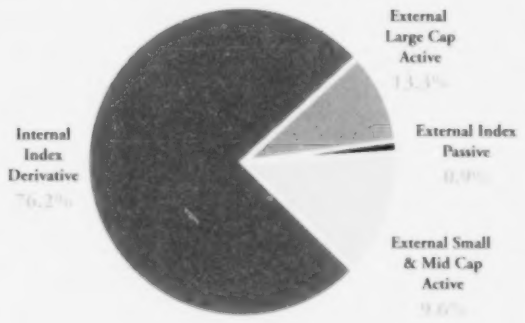
Foreign Public Equity Investments

The Plan's policy allocation to foreign equities totals 45.0% of total investments. The policy allocation to US equity investments is 20.0% of total investments. Investments in Europe, Australasia and Far East (EAFE) mandates are allocated 22.0% of total investments with 3.0% allocated to the Emerging Market mandate.

US Public Equities

The Plan's investments in the US equities totaling $337 million at December 31, 2003, are allocated approximately 77.1% to index and 22.9% to active strategies. A significant portion is invested in the internally managed structured derivative product, which is designed to manage the Fund's exposure to foreign equity relative to the *Income Tax Act* foreign property limits. The remainder is allocated to active external managers.

Summary of United States Equity Holdings



Top 10 US Equity Holdings
December 31, 2003

Company	%
General Electric Co.	2.6%
Microsoft Inc.	2.5%
Pfizer Inc.	2.4%
Citigroup Inc.	2.2%
Exxon Mobil Corp.	2.1%
Wal-Mart Stores	1.8%
Intel Corp.	1.7%
American International Group Inc.	1.5%
Cisco Systems	1.5%
Johnson & Johnson	1.3%

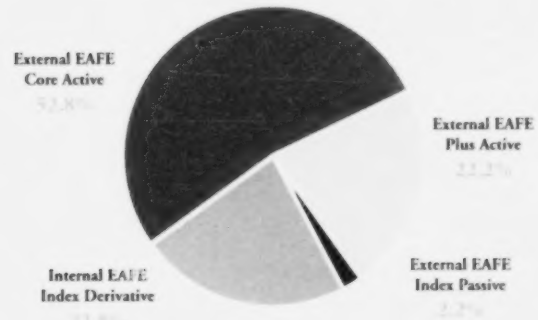
For 2003, the Plan's US equity exposure returned 7.8%, out-performing the S&P 500's return of 5.3% (in Canadian dollars). US equity out-performance was primarily due to small/mid cap managers out-performing their large cap benchmark (S&P 500) and a partial hedge of the US dollar.

US Equities	Actual Return	Benchmark Index (S&P 500 Index)	Net Value Added
One year	7.8%	5.3%	250 basis points
Four year	-7.2%	-8.0%	80 basis points

Europe, Australasia and Far East (EAFE) Public Equities

The Plan's equity investments in Europe, Australasia and Far East (EAFE) markets totaled $403 million at December 31, 2003. Index-based strategies are allocated 25.0% of the EAFE portfolio with a portion in a derivative product to manage the Fund's exposure to foreign equity relative to the Federal Income Tax Act limits. The remaining 75.0% exposure is allocated to external active managers.

Summary of EAFE Equity Holdings



Top 10 EAFE Equity Holdings
December 31, 2003

Company	%
Vodafone Group	2.5%
Total SA	2.0%
Nestle SA	1.8%
BP PLC	1.6%
UBS AG	1.4%
Novartis AG	1.3%
Glaxosmithkline	1.2%
Aventis SA	1.1%
ENI	1.1%
Credit Suisse GRP	1.0%

The Plan's EAFE equity exposure returned 14.3% in 2003 while the benchmark MSCI EAFE Index returned 13.4% (in Canadian dollar terms). The internal structured product and externally managed active EAFE mandates out-performed the benchmark during the year.

Europe, Australasia Far East	Actual Return	Benchmark Index (MSCI EAFE)	Net Value Added
One year	14.3%	13.4%	90 basis points
Four year	-8.1%	-8.6%	50 basis points

Emerging Markets

The Plan's Emerging Market portfolio of approximately $58 million at December 31, 2003 was actively managed. The Emerging Market mandate returned 25.1% in 2003 compared to benchmark MSCI Emerging Market Free Index returned 27.8% (in Canadian dollar terms). The under-performance was primarily due to overall stock selection by the external manager.

Emerging Markets	Actual Return	Benchmark Index MSCI Emerging Market Free Index	Net Value Added
One year	25.1%	27.8%	-270 basis points
Four year	-2.6%	-3.0%	40 basis points

Table of Investment Returns

Annual Returns

	2003 %	2002 %	2001 %	2000 %
Total Fund	**15.0**	**-6.3**	**-5.1**	**5.2**
Policy Return	14.0	-7.1	-5.3	4.6
Russell Canadian Balanced Median	13.6	-5.3	-0.5	9.2
Consumer Price Index (Canada)	2.0	4.3	0.7	3.2
Short-Term fixed income	**3.0**	**2.8**	**4.9**	**5.7**
SC 91-Day T-Bill Index	2.9	2.5	4.7	5.5
Long Duration Bonds	**9.4**	**11.9**	**5.9**	**12.6**
SC Long Bond Index	9.1	11.1	6.1	13.0
Real Return Bonds	**13.5**	**15.3**	**-0.9**	**16.5**
SC Real Return Bond Index	13.3	15.3	0.5	16.6
Long-Term fixed income	**11.4**	**14.0**	**2.8**	**13.6**
Fixed Income Index (a)	11.0	13.0	3.6	14.0
Russell Bonds Median	6.9	8.8	8.0	10.4
Canadian Equities	**26.4**	**-12.0**	**-9.5**	**10.0**
Canadian Equity Index (b)	26.7	-12.4	-12.6	7.5
Russell Canadian Stocks Median	26.5	-9.1	-3.1	12.9
United States Equities	**7.8**	**-22.5**	**-7.1**	**-4.7**
Standard & Poor's 500 Index	5.3	-22.9	-6.4	-5.8
Russell US Stocks Median	5.0	-22.9	-5.8	-3.8
Europe, Australasia and Far East	**14.3**	**-15.8**	**-16.0**	**-11.7**
MSCI EAFE Index	13.4	-16.8	-16.5	-11.2
Russell Non-North American Stocks Median	11.3	-16.1	-16.0	-10.2
Emerging Markets	**25.1**	**-6.0**	**5.7**	**-27.5**
MSCI Emerging Markets Free	27.8	-7.0	3.8	-28.2
Russell Emerging Markets Median	29.8	-4.8	5.2	-26.3
Foreign Equity	**12.3**	**-18.0**	**-10.6**	**-10.1**
Foreign Equity Index (c)	10.7	-18.9	-10.5	-10.1
Russell World Equity Median	9.3	-20.1	-9.9	-5.9

Compound Annualized Returns

	1YR %	2YR %	3YR %	4YR %	8YR %
Total Fund	**15.0**	**3.8**	**0.8**	**1.8**	**7.2**
Policy Return	14.0	2.9	0.1	1.2	7.2
Russell Canadian Balanced Median	13.6	3.8	2.8	4.7	9.1
Consumer Price Index (Canada)	2.0	2.9	2.2	2.5	2.0
Short-Term fixed income	**3.0**	**2.9**	**3.6**	**4.1**	**4.6**
SC 91-Day T-Bill Index	2.9	2.7	3.4	3.9	4.2
Long Duration Bonds	**9.4**	**10.7**	**9.1**	**9.9**	**7.9**
SC Long Bond Index	9.1	10.1	8.7	9.8	9.6
Real Return Bonds	**13.5**	**14.4**	**9.0**	**10.8**	**9.2**
SC Real Return Bond Index	13.3	14.3	9.5	11.2	9.4
Long-Term fixed income	**11.4**	**12.6**	**9.3**	**10.3**	**8.5**
Fixed Income Index (a)	11.0	12.0	9.2	10.3	8.7
Russell Bonds Median	6.9	7.9	8.0	8.7	8.0
Canadian Equities	**26.4**	**5.5**	**0.2**	**2.6**	**9.2**
Canadian Equity Index (b)	26.7	5.3	-0.9	1.0	9.0
Russell Canadian Stocks Median	26.5	7.4	3.6	8.0	11.7
United States Equities	**7.8**	**-8.6**	**-8.1**	**-7.2**	**6.1**
Standard & Poor's 500 Index	5.3	-9.9	-8.7	-8.0	8.7
Russell US Stocks Median	5.0	-9.9	-9.2	-7.0	7.8
Europe, Australasia and Far East	**14.3**	**-1.9**	**-6.8**	**-8.1**	**5.5**
MSCI EAFE Index	13.4	-2.9	-7.7	-8.6	2.6
Russell Non-North American Stocks Median	11.3	-3.0	-6.6	-5.1	6.3
Emerging Markets	**25.1**	**8.5**	**7.5**	**-2.6**	**n/a**
MSCI Emerging Markets Free	27.8	9.1	7.3	-3.0	n/a
Russell Emerging Markets Median	29.8	11.4	9.3	-0.8	n/a
Foreign Equity	**12.3**	**-4.0**	**-6.3**	**-7.2**	**5.8**
Foreign Equity Index (c)	10.7	-5.2	-7.0	-7.8	5.9
Russell World Equity Median	9.3	-5.7	-6.9	-5.8	7.9

(a) 54.5% SC Long Bond Index and 45.5% SC Real Return Bond Index

(b) 100% S&P/TSX Composite Index

(c) 44.4% S&P 500 Index, 48.9% MSCI EAFE Index and 6.7% MSCI Emerging Markets Index

Administration Report

The Sponsorship and Trust Agreement designates the Board of Trustees (Board) as the administrator of the UAPP. General plan administration, including collecting member data, contributions and the paying of pensions and other benefits, forms the major part of this responsibility.

Paying pensions and other benefits provided under the Plan is a key aspect of administration. Significant progress was made on initiatives continuing over from the previous year and several new projects were also undertaken. The start of 2003 saw the commencement of the provision of Plan administration services by Mellon Human Resources and Investor Solutions (formerly Buck Consultants Ltd.), and the provision of pensioner payroll services by CIBC Mellon. These services were previously provided by Alberta Pensions Administration (APA).

Transition to the New System

Although Plan administration began under the new system on January 1, 2003, many of the new system's features were scheduled for implementation during 2003. Completion of some of these features took longer than originally planned which created some difficulties and, at times, impacted the quality of service to members and employers. However, the key priority of paying benefits on a timely and accurate basis was never compromised. Management appreciated everyone's understanding of the challenges associated with the transition.

Despite the problems experienced, the development of the new administration services system progressed steadily during 2003. One of the most challenging parts of the systems development had to do with the prior service features of the Plan. This is now in production. The remaining features of the systems development are on target to be implemented in the first half of 2004. At that time, the UAPP will have a state-of-the-art web-based pension administration system that will provide quality, cost-effective service.

Other Developments

An actuarial valuation of the UAPP as at December 31, 2002 was done during the year and the UAPP prepared the groundwork for implementing gender-neutral mortality tables and new actuarial assumptions for pension administration purposes as of January 1, 2004. In addition, the Plan processed a cost-of-living allowance effective January 1, 2004.

2003 Contributions and Payments

During the year, total contributions of $69.8 million were received from members, employers and the Province of Alberta, and $105.0 million was paid out in benefits to pensioners and terminated members, resulting in pension expenditures exceeding receipts by $35.2 million.

Active Membership

Membership in the UAPP continued to increase during 2003 although at a slower rate (4.1%) than the previous year, rising from 5,498 at the end of 2002 to 5,721 at December 31, 2003. Pension contribution rates remained the same as in 2002. Total contributions from employers and employees amounted to $63.6 million for post-1991 service, and $0.6 million towards the unfunded liability for pre-1992 service. The Province of Alberta also made a contribution of $5.6 million in respect of the pre-1992 unfunded liability. Early in June 2003 members were provided with an annual statement containing details of their plan status at the end of 2002.

Terminated and Deferred Members

Termination benefits amounting to $7.0 million (2002: $5.6 million) were paid during the year to or on behalf of former members of the UAPP. This amount included $0.6 million to the spouses of members who died in service. $4.0 million was transferred to locked-in retirement plans for the terminating members. The number of members who had terminated their employment with a UAPP employer but had not made a decision regarding their benefit choice climbed from 690 in 2002 to 799 at the end of 2003.

Pensioners

The number of former employees and their spouses receiving a pension from the UAPP continued to rise, increasing from 2,582 in 2002 to 2,700 in 2003 (4.6%). 146 new pensioners commenced in 2003, and the most popular pension option choice was a Joint Life with 10-year guarantee. The total amount paid to pensioners rose from $93.4 million in 2002 to $98.1 million in 2003. Pensioners were granted cost-of-living increases of 1.02% effective January 1, 2003 and 3.42% effective January 1, 2004.

Administration Expenses

In 2003 the UAPP's administration and investment expenses amounted to $1.5 million or $167 per member, compared to $2.0 million or $239 per member in 2002. Approximately $300,000 of the cost decrease was a result of reduced transition costs related to the introduction of the new administration services system. The balance of the savings was largely due to the reduced operating costs of the Plan.

The Year Ahead

The initial priority for UAPP management in the first half of 2004 is to complete the implementation of the new pension administration system. Other initiatives scheduled for 2004 include:

- Providing a password-protected pension estimator to enable members to estimate their retirement pensions based on their own personal data
- Providing an updated Member Handbook
- Providing new and updated Pension Information Sheets
- Developing performance measurement for pension administration
- Focusing on improving services to UAPP employers
- Enhancing the UAPP website

Management is confident that further progress will be made in 2004 towards its goal of excellence in the provision of plan administration services.

PARTICIPATION	2003	2002
Active Members	5,721	5,498
Deferred Members	799	690
Pensioners	2,700	2,582
TOTAL	9,220	8,770

NEW PENSIONERS	2003	2002
Retirements	58	42
Early Retirements	84	103
Death Benefits to Spouses	4	3
TOTAL	146	148

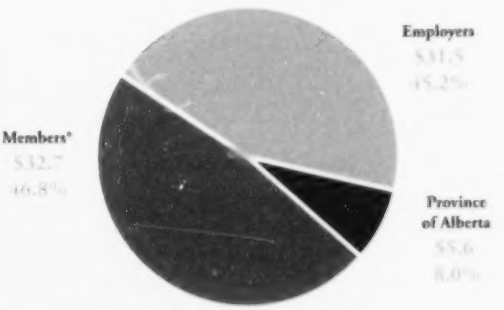
NEW PENSIONER RETIREMENT CHOICES AS AT DECEMBER 31, 2003

	2003	2002
Single life – with or without guarantee	30	43
Joint life – 2/3 spouse, no guarantee	20	17
Joint Life 2/3 spouse, 10-year guarantee	46	30
Joint life – 100% spouse, no guarantee	4	11
Joint life – 100% spouse, 10-yr guarantee	46	47
TOTAL	146	148

MONTHLY PAYMENT DISTRIBUTIONS AS AT DECEMBER 31, 2003

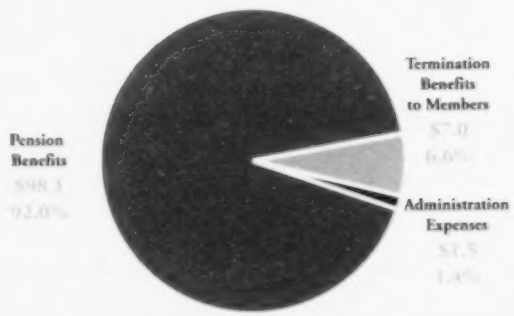
Dollar value ($) per month	Member Pensions	Spouse's Pensions	Total
1 to 999	182	19	201
1,000 to 1,999	448	44	492
2,000 to 2,999	555	54	609
3,000 to 3,999	634	32	666
4,000 and over	711	21	732
TOTAL	2,530	170	2,700

Contributions
($ millions)



* Member contributions include prior service contributions.

Payments
($ millions)



Management's Responsibility for Financial Reporting

The financial statements and information in the 2003 Annual Report are the responsibility of management and have been approved by the Board of Trustees (Board).

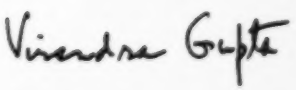
The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2003 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management, the investment operations group of Alberta Revenue, acting in the capacity of Investment Manager, and Mellon Human Resources and Investor Solutions and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and a formal authorization structure.

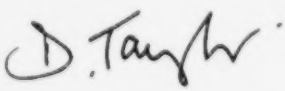
These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. Their auditors' report outlines the scope of their audit examination and states their opinion. KPMG has full and unrestricted access to discuss the audit and related findings regarding financial reporting and the adequacy of internal controls.



Virendra Gupta
Executive Director
Universities Academic Pension Plan



David Taylor, CA
Director, Finance & Administration
Universities Academic Pension Plan

March 1, 2004

Auditors' Report

To the Board of Trustees of the Universities Academic Pension Plan

We have audited the statements of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2003 and 2002 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2003 and 2002 and the changes in net assets, accrued pension liability and actuarial deficiency for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Edmonton, Canada
March 1, 2004

Universities Academic Pension Plan
Statement of Net Assets and Accrued Pension Liability
as at December 31

	2003	2002
	($ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,724,718	$ 1,535,736
Accrued investment income and accounts receivable	723	838
Contributions receivable		
Employers	2,683	2,472
Employees	2,743	2,538
Province of Alberta	467	67
	1,731,334	1,541,651
Liabilities		
Accounts payable and accrued liabilities	286	223
Net assets available for benefits	1,731,048	1,541,428
Actuarial adjustment for fluctuation in fair value of net assets (Notes 2 (c) and 10)	3,100	154,200
Actuarial value of net assets available for benefits	1,734,148	1,695,628
Actuarial deficiency (Notes 8 and 10)	538,352	409,672
Accrued pension liability	**$ 2,272,500**	**$ 2,105,300**

See accompanying notes and schedules.

Universities Academic Pension Plan
Statement of Changes in Net Assets Available for Benefits
for the Year Ended December 31

	2003	2002
	($ thousands)	
Contributions received		
Current and optional service		
Employers	$ 31,182	$ 28,645
Employees	32,338	30,275
Additional contributions to meet pre-1992 unfunded liability		
Employers	314	289
Employees	314	289
Province of Alberta	5,602	5,472
	69,750	64,970
Other income (loss)		
Net investment income (loss) (Note 6)	226,402	(105,665)
Payments made		
Pension benefits	(98,054)	(93,384)
Termination benefits	(6,979)	(5,567)
Plan expenses (Note 7)	(1,499)	(2,030)
	(106,532)	(100,981)
Increase (Decrease) in net assets	189,620	(141,676)
Net assets available for benefits at beginning of year	1,541,428	1,683,104
Net assets available for benefits at end of year	**$ 1,731,048**	**$ 1,541,428**

See accompanying notes and schedules.

Universities Academic Pension Plan
Statement of Changes in Accrued Pension Liability
for the Year Ended December 31

	2003			2002
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Increase in accrued pension liability				
Interest accrued on liability	$ 103,600	$ 51,500	$ 155,100	$ 154,500
Benefits earned	-	64,300	64,300	54,500
Changes in actuarial assumptions (Note 8)	27,700	17,900	45,600	-
Change in the maximum pensionable salary limit (Note 8)	-	17,000	17,000	-
Adjustment for higher than assumed cost-of-living increase in 2004	13,000	6,700	19,700	-
	144,300	157,400	301,700	209,000
Decrease in accrued pension liability				
Net experience gains (Note 8)	13,600	9,900	23,500	-
Changes in TIAA-CREF* balances and present value of prior service payments	(2,900)	5,100	2,200	-
Benefits paid, including interest	91,100	17,700	108,800	102,700
	101,800	32,700	134,500	102,700
Net increase in accrued pension liability	42,500	124,700	167,200	106,300
Accrued pension liability at beginning of year	1,461,821	643,479	2,105,300	1,999,000
Accrued pension liability at end of year (Note 8)	**$ 1,504,321**	**$ 768,179**	**$ 2,272,500**	**$ 2,105,300**

** TIAA-CREF refers to the funds that certain members have with Sun Life in respect of service with their employers prior to the establishment of the UAPP in 1978.*

See accompanying notes and schedules.

Universities Academic Pension Plan
Statement of Changes in Actuarial Deficiency
for the Year Ended December 31

	2003			2002
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Actuarial deficiency at beginning of year as originally reported	$ 318,193	$ 9,179	$ 327,372	$ 151,996
Change in the limit on the actuarial adjustment for fluctuation in fair value of net assets (Note 10)	60,300	22,000	82,300	-
Actuarial deficiency at beginning of year as restated (Note 10)	378,493	31,179	409,672	151,996
Decrease (increase) in net assets available for benefits	(58,972)	(130,648)	(189,620)	141,676
Net change in actuarial adjustment for fluctuation in fair value of net assets (Note 10)	93,400	57,700	151,100	9,700
Net increase in accrued pension liability	42,500	124,700	167,200	106,300
Actuarial deficiency at end of year (Note 10)	**$ 455,421**	**$ 82,931**	**$ 538,352**	**$ 409,672**

See accompanying notes and schedules.

Universities Academic Pension Plan
Notes to the Financial Statements
December 31, 2003

Note 1
Summary Description of the Plan

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act*. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

(a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees are eligible for membership.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to 1992 is financed by additional contributions from the Province of Alberta, employees and employers. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions is equally split between employees and employers.

Under the *Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203)*, the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan actuary, reviews the contribution rates at least once every three years.

In 2003, employer and employee contribution rates remained unchanged from the rates in effect in 2002. For employees of the Universities of Alberta, Calgary and Lethbridge, rates were 6.375% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 8.775% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.070% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

For employees of Athabasca University and The Banff Centre, rates were 5.875% of pensionable salaries up to the YMPE and 8.275% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide matching contributions of 0.070% on earnings above the pensionable salary cap.

Contribution rates for employers and employees were reviewed by the Board of Trustees of the Plan in 2003. As a result of this review, effective January 1, 2004, contribution rates for employers and employees will increase as follows:

Universities of Alberta, Calgary and Lethbridge:

8.015% of pensionable salary up to the YMPE, 10.415% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.88% on earnings above the pensionable salary cap for employees. Employers provide matching contributions.

Athabasca University and The Banff Centre:

7.515% of pensionable salary up to the YMPE, and 9.915% on pensionable salary above the YMPE and up to the pensionable salary cap for employees. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide matching contributions of 0.88% on earnings above the pensionable salary cap.

(c) Retirement Benefits

The Plan provides for a pension based upon the average salary of the highest five consecutive years. For service before 1994, the pension is 2.0% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

Universities Academic Pension Plan
Notes to the Financial Statements
December 31, 2003

Note 1
Summary Description of the Plan (continued)

(d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be chosen.

(e) Termination Benefits

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

(f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(g) Optional Service and Transfers

Optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that service be transferred into the Plan on an actuarial reserve basis and the service transferred out of the Plan receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the average of the increases in the Alberta Consumer Price Index in the twelve-month period ending on October 31st of the previous year.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue or external managers appointed by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held by pooled investment funds are explained in the following paragraphs:

Short-Term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Revenue.

The fair value of private equities is estimated by Alberta Revenue using methods such as discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics and other pricing models as appropriate.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market

Note 2
Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Actuarial Value of Net Assets Available for Benefits (continued)

value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(g) Measurement Uncertainty

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimates and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (See Note 8(b)).

Universities Academic Pension Plan
Notes to the Financial Statements
December 31, 2003

Note 3
Investments (Schedules B to E)

	2003 Fair Value ($ thousands)	%	2002 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 14,174	0.8	$ 11,513	0.7
Canadian Dollar Long Bond Pool (b)	294,199	17.1	274,166	17.9
Real Rate of Return Bonds (c)	252,978	14.7	229,655	15.0
Canadian Dollar Public Bond Pool	-	-	3,333	0.2
Total fixed income securities	561,351	32.6	518,667	33.8
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (d)	183,418	10.6	153,068	10.0
External Managers				
Canadian Large Cap Equity Pool (e)	157,691	9.2	111,770	7.3
Canadian Small Cap Equity Pool (e)	19,338	1.1	19,229	1.3
Canadian Pooled Equities Fund (f)	623	0.0	23,490	1.5
Private Equity Pool (g)	2,469	0.1	3,371	0.2
	363,539	21.0	310,928	20.3
United States Equities (Schedule D)				
US Passive Equity Pooled Fund (h)	256,543	14.9	250,426	16.3
External Managers				
US Large Cap Equity Pool (i)	44,830	2.6	28,882	1.9
US Mid/Small Cap Equity Pool (i)	32,304	1.9	27,795	1.8
US Passive Equity Pool	-	-	3,569	0.2
S&P 500 Pooled Index Fund (h)	3,062	0.2	-	-
United States Pooled Equities Fund	-	-	56	-
	336,739	19.6	310,728	20.2
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (j)	212,738	12.3	165,140	10.7
EAFE Plus Equity Pool (j)	89,248	5.2	77,312	5.0
Emerging Markets Equity Pool (k)	58,477	3.4	52,371	3.4
EAFE Passive Equity Pool (l)	8,696	0.5	24,049	1.6
EAFE Structured Equity Pooled Fund (l)	91,972	5.3	76,541	5.0
	461,131	26.7	395,413	25.7
Alternative Investments - Equities				
Private Income Pool (m)	1,958	0.1	-	-
Total equities	1,163,367	67.4	1,017,069	66.2
Total investments	**$ 1,724,718**	**100.0**	**$ 1,535,736**	**100.0**

NOTE 3
Investments (Schedules B to E) (continued)

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long-Term Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(e) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple managers, each of whom has a different investment style and market capitalization focus.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the S&P/TSX Composite Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations and is designed to reduce risk by prudent security selection and sector rotation.

(g) The Private Equity Pool is in the process of orderly liquidation.

(h) The US Passive Equity Pooled Fund and the S&P 500 Pooled Index Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the Standard & Poor's S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The pools utilize a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the pools also invest in futures, swaps and other structured investments.

(i) The External Managers US Large Cap Equity Pool consists of multiple portfolios and the External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the S&P 500 Index for the US Large Cap Pool and the Russell 2500 Index for the US Mid/Small Cap Pool over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(j) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index asset mix by country. The Plus portfolios are actively managed by external managers with fewer constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(k) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

Note 3
Investments (Schedules B to E) (continued)

(l) The External Managers EAFE (Europe, Australasia and Far East) Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(m) The Private Income Pool is managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6.0% over the long term. The pool invests in infrastructure related projects that are structured to yield high current income.

Note 4
Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35.0% fixed income instruments and 65.0% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5
Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2003:

NOTE 5
Derivative Contracts (continued)

	2003					2002	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value*	Notional Amount	Net Fair Value*
	%			($ thousands)			
Equity index swap contracts	80	20	-	$ 457,134	$ 19,403	$ 402,083	$ 2,617
Interest rate swap contracts	34	57	9	203,911	(10,378)	136,078	(8,090)
Cross-currency interest rate swap contracts	27	53	20	138,180	(14,495)	155,244	(10,498)
Forward foreign exchange contracts	100	-	-	18,981	(43)	63,431	276
Credit default swap contracts	-	100	-	7,836	(97)	-	-
Equity index futures contracts	100	-	-	7,170	872	-	-
Bond index swap contracts	-	-	-	-	-	61	1
				$ 833,212	$ (4,738)	$ 756,897	$ (15,694)

* *The method of determining fair value of derivative contracts is described in Note 2(f).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6
Net Investment Income (Loss)

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

	2003	2002
	($ thousands)	
Fixed Income Securities	$ 56,921	$ 68,878
Canadian Equities	77,219	(53,484)
Foreign Equities		
United States	25,694	(68,410)
Non-North American	66,568	(52,649)
	$ 226,402	$ (105,665)

Net investment income (loss) is comprised of the following:

	2003	2002
	($ thousands)	
Net realized and unrealized gains (losses) on investments, including those arising from derivative transactions	$ 171,321	$ (160,615)
Interest income	41,836	43,292
Dividend income	14,588	13,413
Securities lending income	509	432
Pooled funds management and associated custodial fees	(1,852)	(2,187)
	$ 226,402	$ (105,665)

Universities Academic Pension Plan
Notes to the Financial Statements
December 31, 2003

Note 7
Plan Expenses

	2003	2002
	($ thousands)	
General Plan costs	$ 1,145	$ 1,391
Transition costs	29	352
Investment management costs	325	287
	$ 1,499	$ 2,030

Total Plan expenses amounted to $167 per member (2002 $239 per member).

Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Revenue on a cost recovery basis.

Pooled funds management and associated custodial fees totaling $1,852,000 (2002 $2,187,000), which have been included in the calculation of net investment income of the pools (see Note 6), are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.194% (2002: 0.274%) of assets under administration.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2002 by Mercer Human Resource Consulting and was then extrapolated to December 31, 2003. The 2002 valuation was completed after the financial statements of the Plan for 2002 were released. As a result, the differences between the actuarial valuation and extrapolation results for 2002 are accounted for in 2003 by a) changes in actuarial assumptions of $45.6 million, b) a change in the maximum pensionable salary limit of $17.0 million, and c) net experience gains of $23.5 million.

The 2002 valuation was carried out using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events, taking into account the impact of increases in the maximum pensionable salary permitted under an amendment to the *Income Tax Act* which received Royal Assent on June 19, 2003. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

NOTE 8
Accrued Pension Liability (continued)

(a) Actuarial Valuation (continued)

The major assumptions used were:

	2003 Extrapolation	2002 Valuation	2002** Extrapolation
	%	%	%
Asset real rate of return	4.0	4.0	4.0
Inflation rate	3.0	3.0	3.5
Investment return	7.0	7.0	7.5
Salary escalation rate*	3.5	3.5	3.5
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0	60.0

** In addition to merit and promotion.*

*** Assumptions used were the same as those used in the 2000 valuation.*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2003 allocated between the pre-1992 and post-1991 periods:

	2003			2002
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Fair value of net assets	$ 1,043,800	$ 687,248	$ 1,731,048	$ 1,541,428
Actuarial adjustment for fluctuation in fair value of net assets (Note 10)	5,100	(2,000)	3,100	154,200
Actuarial value of net assets available for benefits	1,048,900	685,248	1,734,148	1,695,628
Accrued pension liability	1,504,321	768,179	2,272,500	2,105,300
Actuarial deficiency (Note 10)	**$ 455,421**	**$ 82,931**	**$ 538,352**	**$ 409,672**

NOTE 8

Accrued Pension Liability (continued)

(a) Actuarial Valuation (continued)

The Plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions of 1.76% of salaries required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows that the present value at December 31, 2002 of the Province of Alberta's obligation for future additional contributions was $164 million.

Effective January 1, 2004, the Plan's unfunded liability for service after December 31, 1991, as determined by an actuarial valuation at December 31, 2002 is financed by special payments of 1.26% of salaries shared equally between employees and employers over 15 years from the date of valuation until December 31, 2017.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

	Sensitivities		
	Changes in Assumptions %	Increase in Plan Deficiency *($ millions)*	Increase in Current Service Cost as a % of Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 128.5	1.03%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	52.5	1.08%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	291.3	3.33%

** The current service cost as a % of pensionable earnings as determined by the December 31, 2002 valuation is 15.31%.*

NOTE 9

Remuneration of Board Members

Remuneration rates as approved by Plan Sponsors are as follows:

	Chair	Trustees
Remuneration rates effective April 1, 2002		
Up to 4 hours	$ 159	$ 118
4 to 8 hours	271	196
Over 8 hours	432	307

	2003	2002
During the year, the following amounts were paid:		
Remuneration		
Chair	$ 3,716	$ 3,700
Trustees (8)	30,541	37,970
Travel expenses		
Chair	1,388	1,853
Trustees (8)	19,560	23,908

Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours. As provided for in the Sponsorship and Trust Agreement, the fees in respect of one Trustee were paid to the respective academic staff association.

NOTE 10

Change in Accounting Policy

In order to moderate the effect of market volatility on the Plan's funded status, net assets available for benefits are adjusted for fluctuation in fair values of assets. Prior to 2003, no limits were placed on the amount of this actuarial adjustment.

In 2003, the Board of Trustees in consultation with the Plan's actuary, has introduced a change in accounting policy which places a constraint on the size of the adjustment for fair value fluctuations. This constraint now limits the actuarial value of net assets available for benefits to between 90% and 110% of net assets available for benefits.

The effect of this change in accounting policy at December 31, 2002 is to increase retroactively the actuarial deficiency by $82.3 million and to decrease the actuarial adjustment for fluctuation in fair value of net assets by $82.3 million to $154.2 million. If the change had not been made, the actuarial deficiency of the Plan would have been $327.4 million.

This change has no effect on the actuarial deficiency or the actuarial adjustment for fluctuation in fair value of net assets at December 31, 2001 or December 31, 2003. At December 31, 2003 the actuarial value of net assets available for benefits equals 100.2% of the fair value of net assets.

NOTE 11

Comparative Figures

Comparative figures have been restated to be consistent with the 2003 presentation.

NOTE 12

Approval of Financial Statements

These financial statements were approved by the Board of Trustees of the Plan.

Schedule A
Universities Academic Pension Plan
Schedule of Investment Returns
Year Ended December 31, 2003

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one- four- and eight-year periods ended December 31, 2003 are as follows:

	Annual Returns				Compound Annualized Return	
	2003	2002	2001	2000	4 Year	8 Year
Time-weighted rates of return						
Short-Term fixed income	**3.0**	**2.8**	**4.9**	**5.7**	**4.1**	**4.6**
Scotia Capital 91-Day T-Bill Index	*2.9*	*2.5*	*4.7*	*5.5*	*3.9*	*4.2*
Long-Term fixed income	9.4	11.9	5.9	12.6	9.9	7.9
Scotia Capital Long-Term Bond Index	*9.1*	*11.1*	*6.1*	*13.0*	*9.8*	*9.6*
Real rate of return bonds	13.5	15.3	(0.9)	16.5	10.8	9.2
Scotia Capital Real Return Bond Index	*13.3*	*15.3*	*0.5*	*16.6*	*11.2*	*9.4*
Total fixed income	**11.4**	**14.0**	**2.8**	**13.6**	**10.3**	**8.5**
Fixed Income Index (a)	*11.0*	*13.0*	*3.6*	*14.0*	*10.3*	*8.7*
Canadian equities	**26.4**	**(12.0)**	**(9.5)**	**10.0**	**2.6**	**9.2**
S&P/TSX Composite Index	*26.7*	*(12.4)*	*(12.6)*	*7.5*	*1.0*	*9.0*
United States equities	7.8	(22.5)	(7.1)	(4.7)	(7.2)	6.1
Standard & Poor's 500 Index	*5.3*	*(22.9)*	*(6.4)*	*(5.8)*	*(8.0)*	*8.7*
Europe, Australasia and Far East	14.3	(15.8)	(16.0)	(11.7)	(8.1)	5.5
MSCI EAFE Index	*13.4*	*(16.8)*	*(16.5)*	*(11.2)*	*(8.6)*	*2.6*
Emerging Markets	25.1	(6.0)	5.7	(27.5)	(2.6)	n/a
MSCI Emerging Markets Free Index	*27.8*	*(7.0)*	*3.8*	*(28.2)*	*(3.0)*	*n/a*
Total foreign equities	**12.3**	**(18.0)**	**(10.6)**	**(10.1)**	**(7.2)**	**5.8**
Foreign Equity Index (b)	*10.7*	*(18.9)*	*(10.5)*	*(10.1)*	*(7.8)*	*5.9*
Overall	**15.0**	**(6.3)**	**(5.1)**	**5.2**	**1.8**	**7.2**
Policy Benchmark	**14.0**	**(7.1)**	**(5.3)**	**4.6**	**1.2**	**7.2**

(a) 54.5% Scotia Capital Long Term Bond Index and 45.5% Scotia Capital Real Return Bond Index.

(b) 44.4% S&P 500 Index, 48.9% MSCI EAFE Index and 6.7% MSCI EMF Index.

Schedule B
Universities Academic Pension Plan
Schedule of Investments in Fixed Income Securities
December 31, 2003

	Plan's Share	
	2003	2002
	($ thousands)	
Deposits and Short-Term Securities	$ 15,632	$ 12,583
Fixed Income Securities (a)		
Public		
Government of Canada direct and guaranteed	336,602	295,031
Provincial		
Alberta, direct and guaranteed	-	8
Other, direct and guaranteed	127,997	125,267
Municipal	9,947	12,397
Corporate	67,849	69,151
Private		
Corporate	-	350
	542,395	502,204
Receivable from sale of investments and accrued investment income	3,324	3,881
Liabilities for investment purchases	-	(1)
	3,324	3,880
	$561,351	**$518,667**

(a) Fixed income securities held as at December 31, 2003 had an average effective market yield of 4.24% per annum (2002: 4.67%). The following term structure of these securities as at December 31, 2003 was based on principal amount.

	2003	2002
	%	
5 to 10 years	3	6
11 to 20 years	30	24
over 20 years	67	70
	100	100

Schedule C
Universities Academic Pension Plan
Schedule of Investments in Canadian Equities
December 31, 2003

	Plan's Share	
	2003	2002
	($ thousands)	
Deposits and Short-Term Securities	$ 3,318	$ 2,734
Public Equities (a) (b)		
Consumer discretionary	27,246	24,932
Consumer staples	16,416	13,018
Energy	50,954	45,559
Financials	106,173	91,022
Health care	8,872	9,330
Industrials	35,154	26,214
Information technology	20,509	14,945
Materials	60,856	49,259
Telecommunications services	17,125	15,429
Utilities	8,873	9,849
	352,178	299,557
Passive index	187	1,322
	352,365	300,879
Private Equity Pool	2,469	3,371
Receivable from sale of investments and accrued investment income	5,770	4,885
Liabilities for investment purchases	(383)	(941)
	5,387	3,944
	$ 363,539	**$ 310,928**

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totaling $119,861,000 (2002 $75,251,000), which were used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

Schedule D
Universities Academic Pension Plan
Schedule of Investments in United States Equities
December 31, 2003

	Plan's Share	
	2003	2002
	($ thousands)	
Deposits and Short-Term Securities	$ 18,255	$ 2,323
Public Equities (a) (b)		
Consumer discretionary	43,597	42,831
Consumer staples	32,129	27,736
Energy	18,495	18,442
Financials	66,544	64,663
Health care	41,775	45,779
Industrials	35,837	36,707
Information technology	55,712	44,629
Materials	10,400	9,313
Telecommunication services	10,044	11,896
Utilities	9,221	9,146
	323,754	311,142
Passive index	87	-
	323,841	311,142
Receivable from sale of investments and accrued investment income	2,951	2,250
Liabilities for investment purchases	(8,308)	(4,987)
	(5,357)	(2,737)
	$336,739	**$310,728**

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totaling $245,425,000 (2002 $251,390,000), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

Schedule E
Universities Academic Pension Plan
Schedule of Investments in Non-North American Equities
December 31, 2003

	Plan's Share	
	2003	2002
	($ thousands)	
Deposits and Short-Term Securities	$ 8,815	$ 8,676
Public Equities (a) (b)		
Consumer discretionary	62,946	43,545
Consumer staples	33,296	32,851
Energy	33,781	36,421
Financials	114,729	84,315
Health Care	32,279	37,705
Industrials	46,317	39,737
Information Technology	28,831	26,588
Materials	39,263	33,746
Telecommunication services	42,122	35,386
Utilities	16,588	17,525
	450,152	387,819
Passive index	53	-
Receivable from sale of investments and accrued investment income	5,400	2,388
Liabilities for investment purchases	(3,289)	(3,470)
	2,111	(1,082)
	$ 461,131	**$ 395,413**

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $88,329,000 (2002 $75,442,000), which were used as underlying securities to support the notional amount of Non-North American equity index swap contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of Non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

	Plan's Share	
	2003	2002
	($ thousands)	
United Kingdom	$ 94,995	$ 93,543
Japan	66,991	53,236
France	39,538	29,417
Switzerland	31,422	30,499
Germany	28,404	19,494
Netherlands	22,292	21,486
Australia	20,655	15,933
Italy	17,161	13,591
Spain	11,042	7,323
Hong Kong	9,848	12,328
Other Countries	107,804	90,969
	$ 450,152	**$ 387,819**

ACTIVE MANAGEMENT

Active management of assets generally takes two forms – security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the S&P 500 for US stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class weights in the policy asset mix.

ACTIVE MEMBER

A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

ASSET MIX

The percentage of a plan's assets allocated to the major asset classes (for example, 35.0% fixed income and 65.0% equities).

BENCHMARK

A standard such as the S&P 500, against which performance is measured. For the purposes of this report, benchmarks are established return indices (listed in percentages) used to measure the Fund's relative investment returns.

BOND

A promissory note issued by a company or government which bears a fixed maturity date and a rate of interest.

DEFERRED MEMBER

A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has a right to a deferred pension.

EMERGING MARKET

An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

EQUITY

Stock; the ownership interest in a company.

EXTERNAL MANAGER

A third-party firm engaged by the Investment Manager to provide investment management services.

LARGE CAP

Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

PASSIVE MANAGEMENT

Passive management involves investing to replicate the performance of a given market index such as the S&P/TSX (Capped) for Canadian stocks.

POLICY BENCHMARK

The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

REAL RETURN BOND

A marketable bond that pays semi-annual interest based on a real interest rate, i.e. a rate adjusted for changes in the consumer price index (Canada).

SMALL CAP

Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of up to 0.15% of the Toronto Stock Exchange market capitalization.

STATEMENT OF INVESTMENT POLICIES AND GOALS

A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

SWAP (STRUCTURED INVESTMENT)

An agreement to exchange certain securities, usually future cash flows, on certain dates in the future. The size of these cashflows is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount in a non-leveraged account, is not exchanged between counterparties.

T-BILL

A short-term government security.

TOTAL RETURN

Interest income plus price increases or decreases.

UNFUNDED LIABILITY

An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

YMPE (Year's Maximum Pensionable Earnings)

The maximum earnings set each year by the Canada Pension Plan (CPP) on which you are required to make CPP contributions ($40,500 in 2004).

The YMPE for recent years is shown below:

1999	$37,400	2002	$39,100
2000	$37,600	2003	$39,900
2001	$38,300	2004	$40,500

CONSUMER PRICE INDEX (CPI)

Measures the relative prices at various times of a selected basket of goods and services.

FRANK RUSSELL MEDIAN MANAGER

A reference point for measuring performance. Frank Russell Canada Limited conducts surveys of balanced fund managers on a quarterly basis to create the Frank Russell universe. From this universe, Frank Russell determines the median (or middle-ranked) manager.

Related Terms: Frank Russell Canada Limited is an independent performance measurement firm that measures the relative performance of investment managers. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long-term growth.

MSCI EAFE INDEX (MORGAN STANLEY CAPITAL INTERNATIONAL – EUROPE, AUSTRALASIA, AND THE FAR EAST)

The MSCI EAFE index is an international stock index that was developed in 1969 by Morgan Stanley Capital International to track changes in the equity markets of developed countries outside North America. The index includes 21 nations. Stocks are selected for the MSCI EAFE based on their countries of origin and their standing within their individual industry group.

MSCI EMF INDEX (MORGAN STANLEY CAPITAL INTERNATIONAL – EMERGING MARKET FREE)

The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The index is calculated on a total return basis, which includes re-investment of gross dividends before deduction of withholding taxes. As of December 2003 the MSCI Emerging Markets Free Index consisted of 26 emerging market country indices.

RUSSELL CANADIAN PROPERTY INDEX

Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

S&P/TSX (CAPPED)

An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the total return of the largest companies that trade on the Toronto Stock Exchange. In the S&P/TSX (capped), a single company's weight in the index is capped at 10.0%.

SCOTIACAPITAL MARKETS 91-DAY T-BILL INDEX

Measures the total return attributable to 91-Day T-bills. Maintained by ScotiaCapital.

SCOTIACAPITAL MARKETS LONG BOND INDEX

Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB).

SCOTIA CAPITAL MARKETS REAL RETURN BOND INDEX

Measures the total return attributable to real return bonds (bonds whose return is linked to an inflation index).

SCOTIACAPITAL MARKETS UNIVERSE BOND INDEX

Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

STANDARD & POOR'S 500 INDEX

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of US equity performance.

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